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~~TOP SECRET~~**SOVIET UNION****1. USSR attempts to purchase large amounts of US agricultural products:**

[redacted] The USSR has approached a Swiss firm to arrange the barter of 600,000 tons of manganese ore at \$48 per ton for 20,000 tons of American butter, [redacted]

[redacted] The Soviet Union also desires to purchase 200,000 tons of American cottonseed oil for which payment would be made in gold.

The same Swiss firm was also approached by Czechoslovakia, which was interested in the purchase of 50,000 tons of cottonseed oil with payment in dollars, part of the oil to go to Poland and Hungary.

Comment: If such an exchange were arranged with the USSR, it would increase the level of Soviet-US trade to over \$100 million in each direction, as contrasted with American exports and imports of only \$16,000 and \$8,032,000, respectively, during the first eight months of 1953.

While the USSR has made several large purchases of butter from Western Europe during the latter half of 1953, these purchases total less than the above quantity. There are indications that the planned imports of consumer goods from the West are behind schedule, and the USSR is apparently making an effort to overcome this deficiency.

FAR EAST**2. Soviet early-warning net in North Korea reactivated:**

[redacted]

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Comment: The silence of this net following the truce had led to some speculation that Soviet personnel had been withdrawn from Korea to prevent neutral detection. Since the Soviet fighter units which this net served have remained active in training exercises in Manchuria, the reactivation of the net indicates their continued state of readiness to resume air operations over North Korea. There are no indications, however, that the Communists intend to resume air or ground operations in North Korea.

3. Comment on Chou En-lai's statement on Korean talks:

Chinese Communist premier Chou En-lai's statement of 9 January bids for a resumption of the Korean talks but provides no firm indication that the Communists would negotiate seriously for a Korean political conference at this time.

Chou does not renew the charge of American "perfidy" and he hints that a compromise might be reached if the talks were quickly resumed. Chou reaffirms the Communist position, however, and does not suggest that the main issues in the talks could be rapidly resolved.

The statement concludes with a demand for Chinese Communist and North Korean representation at any UN General Assembly discussions of Korean issues, and with an endorsement of the Soviet proposal for a meeting of the "five great powers" to consider "pressing international questions." The Communist may thus have decided to mark time on Korean issues while awaiting developments in the UN and the Western response at the Berlin conference to the Soviet proposal for a five-power meeting.

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~~TOP SECRET~~**SOUTHEAST ASIA****4. Indonesian Communists make important gains through control of labor:**

The American embassy in Djakarta reports that SOBSI, the Communist-controlled Indonesian labor federation, holds 40 to 50 key positions in the Labor Ministry. The present government has bowed to the federation on every major issue and the latter is gaining strength at the expense of non-Communist unions.

Comment: For over four years Indonesian Communists have exercised their greatest influence through labor, and their strength in this field would survive the downfall of the present leftist government. The federation stresses nationalism, anticapitalism and anti-imperialism in its propaganda. Since anti-Communism is not an effective issue, non-Communist unions often are forced into a "me-too" position.

SOUTH ASIA**5. Afghanistan approaches US for military aid:**

Afghan foreign minister Naim on 7 January asked Ambassador Ward what the American attitude would be toward an Afghan request for US military aid similar to the assistance contemplated for Pakistan.

Naim spoke at length of Afghanistan's awareness of the danger of Communist aggression in South Asia and the need that the United States strengthen Afghanistan, the Soviet "avenue of approach" to Pakistan.

Comment: Afghanistan had previously taken the public stand that American aid to Pakistan would threaten rather than strengthen Afghanistan's security.

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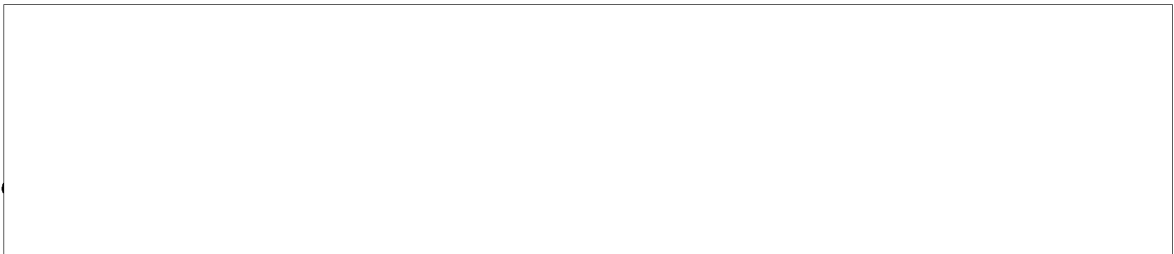
NEAR EAST - AFRICA

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EASTERN EUROPE

7. Czech aircraft deliveries to other Satellites indicated:



Comment: These flights were along the route most likely to be used for delivery flights from Czech assembly plants in the Prague area to Hungary or through Hungary to Rumania or Bulgaria. They provide the best indication to date that Czechoslovakia is producing jets for export as well as for its own air force.

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Estimated production of MIG-15 jet fighters in Czechoslovakia has increased from 25 to nearly 40 per month during the past three months, with no apparent corresponding increase in Czech jet fighter strength.

8. Comment on increased resistance activities in Czechoslovakia:

[redacted] serious concern of the Czech government with an increase in "provocations on the part of enemy groups," including the distribution of bogus circulars announcing Christmas bonuses for railway workers and chain letters calling for mass demonstrations.

Despite intensive measures undertaken in early December to curtail resistance activities, the secret police were unable to halt the widespread distribution of these circulars, which were clever forgeries of official forms. [redacted], they originated with an "underground group" and were being mailed in late November and early December to railway installations throughout the country. The public denial on 8 January of the validity of the bonus announcement is evidence of the seriousness of worker reaction.

Although the chain-letter appeal for mass demonstrations on 23 December was apparently not successful, the preventative police measures indicate the regime's fear of such activity. [redacted]

WESTERN EUROPE

9. Laniel preparing for post-Berlin EDC debate in French Assembly:

[redacted] French NATO representative Herve Alphand told American embassy officials in Paris that Premier Laniel has instructed him to prepare a simplified explanation of the EDC treaty for public distribution on the assumption that the ratification debate will take place following the Berlin conference.

Alphand hopes that Laniel's reference to EDC in his demand on 6 January for assembly support will stop Foreign Ministry officials from preparing an alternative to the EDC treaty in line with Gaullist objections to a supranational organization.

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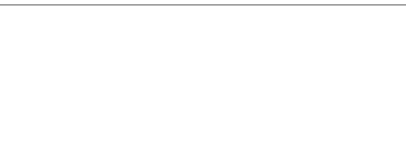
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Comment: Despite the increasing intensity of attacks by opponents of the treaty, the French government has never hitherto undertaken a widespread exposition of the EDC or attempted to win public support for it.

Articles on possible alternatives to EDC are currently being featured in the French press, linked to allegations that Laniel has promised that France will retain complete freedom of action at Berlin.

10. Fanfani seen rivaling Pella for Italian premiership:



According to the American embassy in Rome, there is a strong possibility that Interior Minister Fanfani will be asked to head a new Italian government. Fanfani has expressed his intention to try to form a coalition of all "moderate" parties, including the Monarchists, and claims he also has the support of Christian Democratic right-winger Piccioni and the Italian manufacturers' association, Confindustria.

Monarchist sources, on the other hand, indicated that if Fanfani is chosen, he will probably be unable to produce a program acceptable to their party and that "inevitably" Pella will return to the premiership with his power greatly strengthened.

Comment: Fanfani, a leader of the Christian Democratic reformist "left" wing, risks losing the support of this group if he weakens his social reform program in an attempt to gain the Monarchist support. [redacted] the government crisis will probably last for two or three weeks.

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LATE ITEM

11. Comment on attack on Yugoslav leader Djilas:

The attack on Vice President Milovan Djilas, one of the long time top four party leaders, by the Executive Committee of the Yugoslav Union of Communists is probably purely an internal matter, with no evidence that Yugoslav orientation toward the USSR is involved. Both personal factors and a divergence in opinion concerning the form and timing of party policy may be involved in the dispute.

Although Djilas' recent articles in Borba have not openly clashed with the line laid down at the Sixth Party Congress, his attacks on party "bureaucratism" and his well-defined proposals for the abolition of "sterile" cell meetings and other "outmoded forms" have gone much farther than the line as expressed by other Yugoslav leaders. It is possible that some fears existed among the top levels of the party that Djilas, whose prominence has been continuously growing during recent years, may be attempting to obtain an even more powerful position through championing a more appealing "democratic" line.

Reference by the Executive Committee to Djilas' condemnation of the personal behavior of top communists recalls the scandal raised by Secretary General of the Government Ljubodrag Djuric, during the Sixth Party Congress of November 1952, when Djuric was expelled after raising the issue of moral laxity in the party. The charge made by the Executive Committee that Djilas' article on "the Anatomy of Morals" has "evoked confusion in the ranks of the Union of Communists" suggests the possibility that personal relationships have again become a vital issue within the inner Yugoslav party circle.

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